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In Pursuit of Value

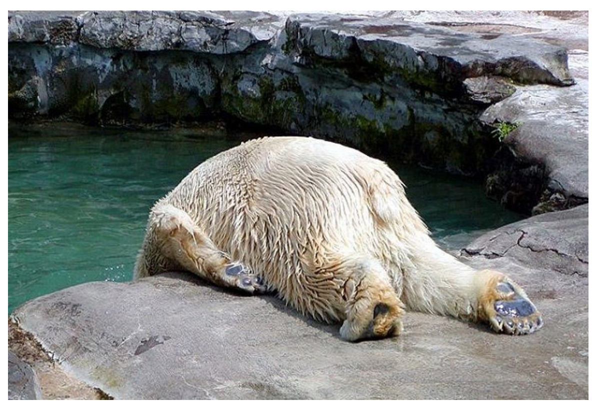
February, 2015

MLPs and Mergers and Acquisitions (M&A)

Since last Summer the collapse in crude oil has arguably been the dominant story driving equity markets. There have been times when it seemed as if almost every member of the S&P500 must have some hitherto undisclosed oil exploration business going on that was dragging its stock price down along with the rest of the Energy sector. Moreover, companies with any actual nexus to the energy complex were assumed to be harmed by falling oil prices almost regardless of whether they produced, moved, stored or refined it.

Away from the headlines about supply exceeding demand and conspiracy theories concerning the Saudis achieving geopolitical goals by not influencing the only thing people think they can influence, some of the shrewder MLP operators have been preparing to create different headlines. The new stories are increasingly about M&A activity. Back in June 2014, WTI oil was at $106/bbl and the coming rout was still ahead of us. The yield on the Alerian index was 5.4% (versus just below 6% now; source: Alerian). Kinder Morgan Partners (KMP) sported a yield of 7% on 2015's company-forecast distribution. Its General Partner (GP) Kinder Morgan, Inc (KMI), whose 50% share of KMP's Distributable Cash Flow (DCF) was responsible for the muted growth prospects of KMP's distribution, yielded 5.5% on a then company-guided $1.87 distribution for 2015.

Just a few months earlier, during the January conference call following 4Q13 earnings, CEO Rich Kinder had noted the "excellent" financial and operating performance of their business units but also lamented the stock price, saying, "I do believe that particularly at KMI and KMP, these securities are trading at the greatest disconnect to appropriate valuation since the period in 2006, just before we took the first KMI private." One reason was the drag of KMI's GP stake in KMP which entitled it to 50% of the DCF generated by KMP, pushing up its yield as noted. Another was the bearish assessment offered by an obscure research firm in Connecticut, to which Kinder alluded by saying, "…you sell, I'll buy, and we see who comes out the best in the long run." Plain-spoken CEOs are so much more interesting.



He'll never touch another energy stock.

By July, in response to a question on the lagging stock price, Kinder said, "Let me just say that we're always exploring operational and strategic opportunities to enhance the value for our investors, including myself. And that includes, among other things, evaluating potential combinations of Kinder Morgan companies." He later added, "…cost of capital plays a role in any M&A activity, and we aim to be as competitive as possible in that...I think M&A is going to be active over the next months and next couple of years, and we certainly want to be a player in that and more to come."

KMP's 7% yield combined with KMI's 50% share of future growth made it hard to make accretive acquisitions because the currency they'd use wasn't as highly valued as some of their targets. Consequently, the subsequent simplification of the four publicly traded Kinder enterprises into one (KMI) was predictable given the CEO's comments. Today, KMI offers a 2015 yield of 4.7% on a dividend now expected to be $2.

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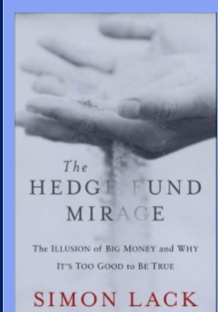

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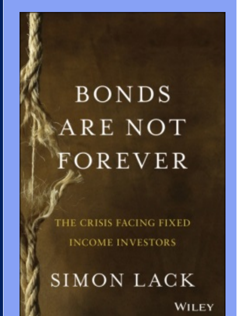
KMI is the currency to be used in acquisitions, since it owns the assets formerly held in KMP. So Kinder now contemplates a world of midstream assets in which his equity yields 1.3% less than the publicly traded benchmark, whereas last Summer it was 1.6% higher. This almost 3% favorable adjustment makes accretive acquisitions more possible and is why they're shopping, recently buying Hiland Partners, LP from Harold Hamm of Continental Resources (CLR). Hiland operates a gathering and processing network in the Bakken Shale in North Dakota. The fact that KMI opted to buy an existing business highlights the difficulties of building completely new operations, with numerous hurdles from permits to the absence of local knowledge or relationships with resident service providers.

Another case concerns Energy Transfer Partners (ETP) and Regency Energy Partners (RGP), both of whom are controlled by Energy Transfer Equity (ETE) through its ownership of their respective GP and IDRs. Last Summer both ETP and RGP yielded 7.3% on company-forecast 2015 distributions. By late January ETP's yield had fallen to 6.6% on a distribution by now increasing at 8.3% (compared with 5.7% previously). RGP's yield had meanwhile drifted up to 8.9%. The 2.3% difference was enough to induce ETP to issue equity to RGP so as to merge, resulting in a stronger balance sheet with a lower cost of capital. Once again, ready for M&A, and the stock of ETE which stands to benefit most clearly from this rose accordingly. CEO Kelcy Warren commented that, "We will absolutely continue to look for external opportunities as you know our philosophy here is, every MLP we believe should have a healthy mix of M&A and organic growth."

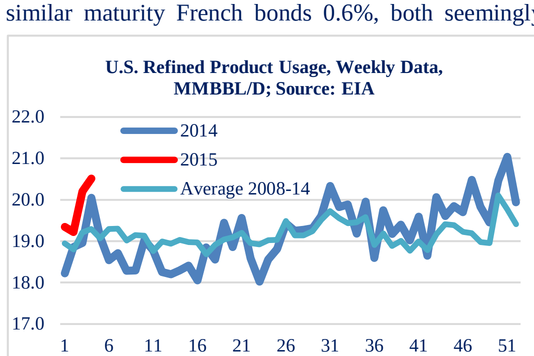
SL Advisors, LLC focuses on investment strategies that provide income without relying on fixed income securities



Greg Armstrong, CEO of Plains All America, LP (PAA) and its GP Plains GP Holdings, LP (PAGP) said in November, "…we have high hopes that this period of depressed crude oil prices and capital markets disruptions will carry with it attractive, reasonably priced acquisition opportunities that PAA will be able to capitalize on by using its strong balance sheet, operational and commercial synergies and extensive acquisition experience."

These firms are all positioning to be the buyers of assets cheapened up by the fall in oil. Bigger companies are also better positioned to take on new projects to add to America's stock of energy infrastructure. What about the other side of these transactions? One potential target is Semgroup (SEMG), which operates gathering, transportation, storage, distribution, marketing, and other midstream services. Its stock has fallen from a high of $88 last Summer to a recent price of as low as $58. Its $3.75 billion enterprise value represents an easily digestible morsel for any of the acquirers listed above, and its relatively small size has left it vulnerable to the recent market volatility. Management is publicly debating with activist investor Thomas Sandell the true value of the company (which Sandell estimates to be above $100 per share) and the most effective way to realize it.

Interest rates remain implausibly low, always an important consideration for M&A activity. At a time when ten year Italian government debt yields 1.6% and similar maturity French bonds 0.6%, both seemingly oblivious to their steadily depreciating currency, ten year U.S. treasuries at 1.7% appear a bargain, at least through the distorted vision required of today's bond investors. In short, it doesn't look as if interest rates will impede debt-financed acquisitions. As shown, the drop in oil has caused a divergence in the cost of capital for companies; limited commodity price sensitivity and robust balance sheets define the buyers.



Finally, domestic energy demand is being stimulated by lower prices. U.S. demand for refined petroleum products (of which gasoline is just under half) recently exceeded 20 million bbl/d as shown on the right. Consumption has been trending above the post-2008 Crisis average since last Summer. Demand is responding even though U.S. energy intensity (defined as units of energy consumed per $ of GDP) has continued to fall. We expect to see additional M&A activity in the sector as oil-induced dislocations are resolved.

Of the names mentioned, we are invested in KMI, ETE, PAGP and SEMG. Security prices, yields and dividends sourced from Bloomberg and Yahoo.

Performance Tables (Net of fees)

MLP Strategy							Since Inception 209%					Index 134%
	Jan	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
2008	**-0.6**	**3.1**	**-0.7**	**2.0**	**4.2**	**-10.6**	**-1.9**	**0.7**	**-14.9**	**-1.0**	**-22.0**	**2.9**	**-35.5**
Index	*-0.6*	*-0.5*	*-6.3*	*7.3*	*1.0*	*-4.9*	*-1.7*	*1.7*	*-17.2*	*-0.1*	*-17.1*	*-3.7*	*-36.9*
2009	**15.5**	**-2.0**	**5.1**	**5.9**	**10.0**	**-1.0**	**10.2**	**0.2**	**1.1**	**2.3**	**6.3**	**5.1**	**75.0**
Index	*15.3*	*-4.2*	*0.7*	*11.0*	*9.3*	*-1.7*	*12.4*	*-3.2*	*4.8*	*2.9*	*6.4*	*6.6*	*76.4*
2010	**0.8**	**5.5**	**2.1**	**2.5**	**-4.4**	**5.2**	**5.9**	**-1.5**	**5.1**	**2.1**	**3.3**	**2.8**	**33.0**
Index	*0.6*	*4.6*	*2.9*	*3.4*	*-5.4*	*5.6*	*7.5*	*-2.5*	*6.1*	*5.4*	*1.9*	*1.7*	*35.9*
2011	**1.3**	**5.2**	**0.1**	**2.7**	**-4.2**	**1.9**	**-2.4**	**-0.2**	**-3.3**	**9.2**	**0.2**	**6.9**	**17.6**
Index	*3.0*	*3.5*	*-0.6*	*3.3*	*-5.0*	*1.1*	*-1.9*	*-1.1*	*-4.1*	*10.3*	*-0.2*	*5.8*	*13.9*
2012	**1.7**	**5.3**	**-3.6**	**0.9**	**-7.0**	**3.3**	**5.8**	**3.2**	**2.3**	**-0.8**	**0.3**	**-3.0**	**7.8**
Index	*1.9*	*4.2*	*-4.0*	*2.2*	*-7.5*	*3.3*	*5.1*	*1.6*	*2.0*	*0.5*	*-0.8*	*-3.1*	*4.8*
2013	**12.9**	**1.8**	**5.8**	**-0.5**	**-1.1**	**2.7**	**0.3**	**-0.3**	**1.4**	**2.4**	**4.1**	**3.5**	**37.3**
Index	*12.6*	*0.9*	*5.4*	*0.9*	*-2.0*	*3.1*	*-0.5*	*-2.5*	*2.3*	*2.7*	*0.9*	*1.6*	*27.6*
2014	**1.5**	**2.6**	**3.9**	**2.4**	**5.6**	**9.6**	**-4.0**	**7.5**	**-1.5**	**-4.0**	**0.4**	**-3.0**	**21.9**
Index	*0.6*	*-0.2*	*1.5*	*4.3*	*3.4*	*5.9*	*-3.5*	*8.2*	*-1.6*	*-4.6*	*-2.6*	*-5.6*	*4.8*
2015	**-3.0**												**-3.0**
Index	*-3.1*												*-3.1*

Returns do not include cash balances prior to May 2010. The Index is the Alerian MLP Index, AMZX. Past performance is not indicative of future returns.

Energy Infrastructure Strategy							Since Inception			22%	*Index*		*9%*
	Jan	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
2013								**1.2**	**0.8**	**4.2**	**-0.3**	**6.2**	**12.5**
Index								*-0.5*	*2.3*	*2.7*	*0.9*	*1.6*	*5.3*
2014	**0.9**	**1.6**	**0.1**	**4.3**	**5.0**	**10.1**	**-2.6**	**6.7**	**-4.1**	**-2.2**	**-2.8**	**-1.1**	**16.1**
Index	*0.6*	*-0.2*	*1.5*	*4.3*	*3.4*	*5.9*	*-3.5*	*8.2*	*-1.6*	*-4.6*	*-2.6*	*-5.6*	*4.8*
2015	**-6.5**												**-6.5**
Index	*-3.1*												*-3.1*

The Index is the Alerian MLP Index, AMZX. August 2013 was a partial month. Past performance is not indicative of future returns

Hedged Dividend Capture Strategy ("DivCap")							Since Inception			24%	*Index*		*1%*
	Jan	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
2011										**0.3**	**0.3**	**3.6**	**4.3**
Index										*0.6*	*-0.2*	*0.2*	*0.6*
2012	**-3.5**	**-2.0**	**1.2**	**1.7**	**1.2**	**2.2**	**1.1**	**-1.3**	**0.5**	**0.8**	**0.6**	**-0.6**	**1.8**
Index	*0.4*	*-0.8*	*-1.2*	*-1.5*	*-0.4*	*-1.5*	*-0.1*	*-0.1*	*-0.3*	*0.2*	*0.5*	*0.1*	*-4.7*
2013	**2.9**	**3.5**	**4.1**	**0.9**	**-2.8**	**1.1**	**1.4**	**-3.0**	**-0.4**	**3.2**	**-0.7**	**-0.4**	**10.0**
Index	*0.4*	*0.2*	*0.0*	*0.5*	*0.2*	*-0.6*	*0.6*	*-1.6*	*-0.1*	*1.4*	*0.6*	*0.2*	*1.7*
2014	**-1.6**	**0.0**	**1.9**	**2.4**	**0.3**	**0.0**	**-2.2**	**3.1**	**0.2**	**0.9**	**1.2**	**0.3**	**6.7**
Index	*0.7*	*0.7*	*0.6*	*0.6*	*-1.8*	*0.4*	*0.2*	*0.9*	*0.3*	*1.0*	*-0.1*	*0.0*	*3.6*
2015	**0.0**												**0.0**
Index	*0.3*												*0.3*

The Index is the HFRX Equity Market Neutral Index. Past performance is not indicative of future returns.

Performance Tables (Continued)

High Dividend Low Beta Strategy ("HighDiv")							Since Inception			68%	*Index*	*76%*
	Jan	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
2011										**5.9**	**0.1**	**4.0**	**10.3**
Index										*5.9*	*1.2*	*3.2*	*10.5*
2012	**-1.3**	**0.1**	**2.8**	**1.3**	**-1.8**	**4.2**	**1.8**	**-0.2**	**1.7**	**-0.1**	**0.8**	**-0.2**	**9.1**
Index	*-0.5*	*1.9*	*2.8*	*1.1*	*-1.6*	*4.2*	*2.1*	*-0.9*	*1.7*	*-0.1*	*-0.2*	*-0.5*	*10.3*
2013	**5.4**	**4.1**	**6.0**	**1.9**	**-1.6**	**0.4**	**4.0**	**-4.6**	**1.1**	**5.5**	**0.7**	**0.8**	**25.7**
Index	*5.0*	*2.7*	*4.9*	*3.8*	*-3.4*	*0.6*	*4.2*	*-4.8*	*2.0*	*4.6*	*1.2*	*1.1*	*23.6*
2014	**-3.5**	**2.5**	**2.0**	**2.9**	**1.3**	**0.8**	**-2.4**	**5.1**	**-0.9**	**2.2**	**2.4**	**-0.2**	**12.7**
Index	*-2.5*	*3.7*	*2.1*	*1.9*	*1.0*	*2.2*	*-3.8*	*3.8*	*-0.9*	*4.9*	*3.2*	*0.9*	*17.5*
2015	**-1.3**												**-1.3**
Index	*-0.4*												*-0.4*

The Index is the S&P 500 Low Volatility Index including dividends. Past performance is not indicative of future returns

Deep Value Strategy							Since Inception			154%	*Index*	*144%*
	Jan	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
2009							**8.5**	**1.0**	**11.3**	**0.4**	**3.5**	**9.8**	**39.3**
Index							*7.6*	*3.6*	*3.7*	*-1.9*	*6.0*	*1.9*	*22.6*
2010	**-1.1**	**3.8**	**6.6**	**3.5**	**-5.6**	**-4.5**	**5.2**	**7.0**	**7.8**	**1.2**	**1.0**	**2.7**	**30.2**
Index	*-3.6*	*3.1*	*6.0*	*1.6*	*-8.0*	*-5.2*	*7.0*	*-4.5*	*8.9*	*3.8*	*0.0*	*6.7*	*15.1*
2011	**0.2**	**2.2**	**1.9**	**2.5**	**-2.3**	**-2.9**	**0.6**	**-5.2**	**-9.2**	**12.3**	**-0.5**	**-0.6**	**-2.3**
Index	*2.4*	*3.4*	*0.0*	*3.0*	*-1.1*	*-1.7*	*-2.0*	*-5.4*	*-7.0*	*10.9*	*-0.2*	*1.0*	*2.1*
2012	**4.4**	**5.2**	**0.9**	**2.0**	**-8.8**	**3.8**	**0.7**	**3.6**	**3.3**	**-0.9**	**-2.6**	**1.0**	**12.4**
Index	*4.5*	*4.3*	*3.3*	*-0.6*	*-6.0*	*4.1*	*1.4*	*2.3*	*2.6*	*-1.8*	*0.6*	*0.9*	*16.0*
2013	**6.4**	**0.6**	**4.3**	**1.6**	**2.1**	**-1.6**	**4.3**	**-1.2**	**1.7**	**3.1**	**2.0**	**5.1**	**31.9**
Index	*5.2*	*1.4*	*3.8*	*1.9*	*2.3*	*-1.3*	*5.1*	*-2.9*	*3.1*	*4.6*	*3.0*	*2.5*	*32.3*
2014	**-4.7**	**5.2**	**0.3**	**2.3**	**1.3**	**4.7**	**-2.3**	**6.3**	**-5.6**	**-1.4**	**-0.7**	**-1.8**	**2.7**
Index	*-3.5*	*4.6*	*0.8*	*0.7*	*2.3*	*2.1*	*-1.4*	*4.0*	*-1.4*	*2.4*	*2.7*	*-0.3*	*13.7*
2015	**-6.0**												**-6.0**
Index	*-3.0*												*-3.0*

Returns do not include cash balances prior to November 2009. The Index is the S&P 500 including dividends

Low Beta Long/Short Strategy ("LBLS")							Since Inception			118%	*Index*	*-1%*
	Jan	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
2011			**-3.5**	**19.4**	**6.5**	**4.5**	**0.0**	**9.1**	**-1.1**	**6.7**	**1.9**	**1.5**	**52.6**
Index			*-0.9*	*0.5*	*-1.4*	*-1.6*	*-0.1*	*-3.5*	*-3.0*	*0.8*	*-0.9*	*-0.4*	*-10.0*
2012	**-5.1**	**-1.6**	**5.7**	**3.3**	**1.1**	**2.4**	**3.2**	**-2.2**	**2.1**	**0.7**	**0.2**	**-1.3**	**8.6**
Index	*1.7*	*1.4*	*0.0*	*0.1*	*-1.7*	*-0.3*	*0.5*	*0.5*	*0.4*	*-0.5*	*0.4*	*0.9*	*3.5*
2013	**7.9**	**6.2**	**6.5**	**3.2**	**-2.1**	**-0.7**	**4.0**	**-2.1**	**0.3**	**0.4**	**-2.8**	**2.0**	**24.5**
Index	*2.0*	*0.4*	*0.7*	*0.6*	*0.7*	*-1.3*	*1.0*	*-0.9*	*1.0*	*1.2*	*0.6*	*0.4*	*6.5*
2014	**-5.6**	**-0.6**	**1.2**	**3.0**	**-1.0**	**3.6**	**-0.7**	**5.1**	**-0.6**	**-0.9**	**2.3**	**1.3**	**6.8**
Index	*-0.1*	*1.6*	*-0.2*	*-0.7*	*0.5*	*0.9*	*-0.9*	*1.1*	*-0.8*	*-1.3*	*0.3*	*-0.8*	*-0.4*
2015	**-1.2**												**-1.2**
Index	*-0.2*												*-0.2*

The Index is the HFRX Global Hedge Fund Index. Returns are net of fees. Past performance is not indicative of future returns.

SL Advisors runs a variety of strategies focused on generating attractive risk-adjusted returns using public equities in long-only and long-short format. Contact us for more information, or go to our website: www.sl-advisors.com

SL Advisors offers separately managed accounts for individuals, family offices and institutions across various investment strategies. Client assets are held with Charles Schwab, the largest provider of custody services in the U.S. with client assets of $1.1 trillion (as of December 31, 2014). Client portfolios are completely transparent via Schwab's extensive website which provides real-time access to accounts and all supporting information. Detailed monthly statements are mailed directly to clients from Schwab.

SL Advisors MLP Strategy
This portfolio consists of 10-15 investments in Master Limited Partnerships (MLPs) to receive a healthy and growing tax deferred income stream. MLPs are publicly traded interests in energy infrastructure and related assets. They represent direct proportional ownership stakes in the underlying assets rather than securities in a corporation. Historically they have paid regular distributions which have grown with the U.S. economy, and as such they can be suitable for investors seeking income generating investments with a tolerance for equity market exposure. The strategy engages in low turnover so as to minimize transaction costs and benefit from the income tax deferral features of the asset class. MLPs are appropriate for high net worth investors comfortable with receiving a K-1 for each investment rather than a 1099. SL Advisors does not provide tax advice.

SL Energy Infrastructure Strategy
This strategy seeks to achieve its investment objective by primarily investing in the equity securities of the general partners of master limited partnerships ("MLPs") and the parent companies of general partners of MLPs (collectively, "GPs"). It holds some of the same names that are in the MLP Strategy but only invests in securities that generate 1099s for tax-reporting. As such, it may be appropriate for tax-deferred, tax-exempt and non-U.S. investors.

SL Advisors Hedged Dividend Capture Strategy
An alternative to bonds, this strategy utilizes stocks of stable companies with high dividend yields to generate income with capital appreciation by investing in a diverse, unleveraged, hedged portfolio of U.S. equities. Companies are selected that possess a history of steady earnings growth, attractive dividend yields and are less volatile than the overall market. The long positions are hedged with a short S&P500 position with the objective of making the portfolio beta neutral while still maintaining a net long equity exposure. Historically this strategy has exhibited monthly swings comparable to corporate bonds, and given the relative attractiveness of equities compared with investment grade bonds we believe it has a more attractive return outlook. This strategy may be considered as a substitute for a portion of an investor's fixed income allocation.

SL Advisors High Dividend Low Beta Strategy
This is the long-only version of our Hedged Dividend Capture Strategy (Long/Short), which has been actively managed and deployed since October 2011. Academic research has shown the Capital Asset Pricing Model (CAPM) fails to explain risk-adjusted returns. Over long periods of time, high beta stocks tend to under-perform and low beta stocks tend to out-perform, on a risk-adjusted basis, which is inconsistent with predicted performance by the CAPM. This strategy attempts to take advantage of this persistent anomaly.

SL Advisors Deep Value Equity Strategy
A portfolio of undervalued stocks of high quality businesses that aims to outperform the S&P500. Investments are in listed U.S. equities trading significantly below the intrinsic value of the underlying enterprise. Potential investments are identified both qualitatively and quantitatively following which detailed research is performed to assess fundamental value. Desired characteristics of businesses include pricing power, low leverage, low costs of production, and attractive valuation. Valuation is defined to us foremost as the net present value of cash one can extract from proportional ownership of the business, then relatively using peer multiples and finally liquidation value. The portfolio is reassessed constantly and all holdings are rated for return potential and risk against their peer group to rebalance into what we believe are the most attractive opportunities. This strategy is part of the equity allocation for balanced accounts for individuals, and is also appropriate as an alpha seeking equity strategy for institutional accounts.

SL Advisors Low Beta Long-Short Strategy
Low Beta Long-Short is more concentrated than Hedged Dividend Capture ("DivCap") with added leverage and is not restricted to dividend paying stocks. It includes our best ideas from DivCap weighted according to conviction rather than diversified, equal weight allocations. It is managed to be beta neutral and returns are driven very largely by individual stock selection. Interactive Brokers is custodian for assets in this strategy only.

Bonds Are Not Forever; The Crisis Facing Fixed Income Investors
is available at Amazon.com.

Our blog, ***In Pursuit of Value***, is at: http://www.sl-advisors.com/blog/

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DISCLOSURES

MLP Strategy

Returns for the MLP Strategy reflect the performance of the composite of all discretionary accounts invested in this strategy. The returns shown reflect the deduction of an annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the Alerian MLP index is shown for comparison purposes only. The Alerian MLP is a float-adjusted, capitalization-weighted index, which tracks 50 large- and mid-cap energy Master Limited Partnerships (MLPs), capturing 75% of available market capitalization. This index tracks securities which most closely correlate to the securities in which the MLP strategy invests. You cannot invest directly in an index. Past performance is no guarantee of future results.

Energy Infrastructure Strategy

The Energy Infrastructure Strategy seeks to invest in the General Partners (GPs) of Master Limited Partnerships (MLPs) and other energy infrastructure businesses solely through C-corps rather than partnerships. Consequently, the tax reporting consists of 1099s rather than the K-1s common with MLPs. Returns for the Energy Infrastructure Strategy reflect the performance of a composite comprised of all fee-paying discretionary accounts invested in this strategy. The returns shown reflect the deduction of an annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the Alerian MLP Index is shown for comparison purposes only. The Alerian MLP Index is a float-adjusted, market-capitalization weighted index of publicly traded MLPs. This index best reflects the universe of stocks from which the Energy Infrastructure Strategy seeks to invest. You cannot invest directly in an index. Past performance is no guarantee of future results.

Hedged Dividend Capture Strategy ("DivCap")

Returns for the Hedged Dividend Capture Strategy reflects the performance of the composite of all discretionary accounts invested in this strategy. The returns shown reflect the deduction of an annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. As stated above, part of the objective of the Hedged Dividend Capture Strategy is to outperform the HFRX EM Neutral Index. The performance of the HFRX EM Neutral Index and the DJ Corporate Bond Index are shown for comparison purposes only. The HFRX EM Neutral Index consists of hedge funds that employ quantitative techniques to construct portfolios which are intended to be uncorrelated with equity markets. The DJ Corporate Bond Index is an equally weighted index of investment-grade corporate bonds. HFRX EM Neutral Index is presented as it is a reasonable comparison for DivCap which seeks to generate returns while remaining uncorrelated with equities. Thie DJ Corporate Bond Index is presented as the manager believes DivCap can be an acceptable substitute for corporate bonds given its income generating objective. index You cannot invest directly in an index. Past performance is no guarantee of future results.

High Dividend Low Beta Strategy ("HighDiv")

The objective of this strategy is to: (1) generate equity market returns over full market cycle with lower volatility (2) outperform S&P500 during periods of significant stock market underperformance (3) generate higher dividend income than the S&P500. Returns for the High Dividend Low Beta Strategy reflect the performance of a representative account of all fee-paying discretionary accounts invested in this strategy. The returns shown reflect the deduction of a 1% annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the S&P 500 Low Volatility index is shown for comparison purposes only. The S&P 500 Low Volatility index measures performance of the 100 least volatile stocks in the S&P500. The index benchmarks low volatility or low variance strategies for the U.S Stocks market. This index tracks securities which most closely correlate to the securities in which the High Dividend Low Beta strategy invests. Past performance is no guarantee of future results. You cannot invest directly in an index.

Deep Value Strategy

The objective of this strategy is to outperform the S&P500 Index with a similar level of volatility by investing in a portfolio of undervalued publically traded securities. Returns for the Deep Value Strategy reflect the performance of a representative account of all fee-paying discretionary accounts invested in this strategy. The returns shown reflect the deduction of a 1% annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the S&P 500 index is shown for comparison purposes only. The S&P 500 index is comprised of stocks of large U.S companies and is widely recognized as a benchmark of U.S. stock market performance. This index tracks securities which most closely correlate to the securities in which the Deep Value strategy invests. Past performance is no guarantee of future results. You cannot invest directly in an index.

Low Beta Long/Short Strategy ("LBLS")

The objective of this strategy is to deliver absolute returns that are uncorrelated to traditional asset classes. It aims to generate capital appreciation while remaining Beta neutral by maintaining a net long position in low beta equities hedged with the S&P500 (using SPY) to deliver uncorrelated returns. It deploys gross leverage of typically < 2:1 and targets volatility similar to the S&P500. Returns for the Low Beta Long Short Strategy reflect the performance of a representative account of all fee-paying discretionary accounts invested in this strategy. The returns shown reflect the deduction of a 1% annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the HFRX Global Hedge Fund Index is shown for comparison purposes only. The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies. The Strategies are asset weighted based on the distribution of assets in the hedge fund industry. HFRX Global Hedge Fund Index is presented as it is a reasonable comparison for LBLS which seeks to generate absolute returns while remaining uncorrelated with equities. You cannot invest directly in an index. Past performance is no guarantee of future results.